

**THE OFFICE OF REGULATORY STAFF**  
**DIRECT TESTIMONY**  
**OF**  
**HANNAH K. MAJEWSKI**  
**DECEMBER 16, 2009**



**DOCKET NO. 2009-278-W**

**Petition of the Office of Regulatory Staff  
for a Declaratory Order against Carroll  
Norman and/or Pine Haven Water System  
Requiring Certification as a Water Utility  
and the Posting of a Performance Bond**

**DIRECT TESTIMONY OF HANNAH K. MAJEWSKI**

**FOR**

**THE OFFICE OF REGULATORY STAFF**

**DOCKET NO. 2009-278-W**

**IN RE: PETITION OF THE OFFICE OF REGULATORY STAFF FOR A  
DECLARATORY ORDER AGAINST CARROLL NORMAN AND/OR PINE  
HAVEN WATER SYSTEM REQUIRING CERTIFICATION AS A WATER  
UTILITY AND THE POSTING OF A PERFORMANCE BOND**

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND  
OCCUPATION.**

A. My name is Hannah K. Majewski, and my business address is 1401 Main Street, Suite 900, Columbia, South Carolina 29201. I am employed by the State of South Carolina Office of Regulatory Staff (“ORS”) as the Program Specialist for the Water and Wastewater Department.

**Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND  
EXPERIENCE.**

A. I received a Bachelor of Arts Degree in English from the University of South Carolina in 1990. I have been employed by the State of South Carolina approximately 19 years, the last three of which have been with the Office of Regulatory Staff’s Consumer Services Department assisting electric and gas consumers. In July 2009, I became the Program Specialist for the Water and Wastewater Department.

**THE OFFICE OF REGULATORY STAFF  
1401 Main Street, Suite 900  
Columbia, SC 29201**

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
2 **PROCEEDING?**

3 A. The purpose of my testimony is to set forth the ORS staff findings relative  
4 to the petition filed with the Public Service Commission of South Carolina  
5 (“Commission” or “PSC”) by the ORS against Carroll Norman and/or Pine Haven  
6 Water System (“Pine Haven”). Specifically, I will focus on Pine Haven’s non-  
7 compliance with the Commission’s rules and regulations due to its failure to file  
8 documents, bonds, reports, and other information required of such companies  
9 under South Carolina law with either the Commission or the ORS.

10 **Q. ARE THE FINDINGS OF YOUR REVIEW CONTAINED IN THIS**  
11 **TESTIMONY AND ACCOMPANYING EXHIBITS?**

12 A. Yes, my testimony and the attached exhibits detail ORS’s findings and  
13 recommendations.

14 **Q. PLEASE PROVIDE AN OVERVIEW OF THE LOCATION, SERVICE**  
15 **TYPE AND CUSTOMER BASE SERVED BY PINE HAVEN.**

16 A. Pine Haven provides water service to approximately 25 residential  
17 customers in the Pine Haven Subdivision and Garrett’s Landing (phase two of  
18 Pine Haven) in York County, South Carolina. Based on our review, Pine Haven  
19 would be classified as a NARUC Class C water utility according to the rates being  
20 charged and the number of customers that are being provided water service.

21 Pine Haven has been owned and operated by Mr. Carroll Norman since  
22 1976. The water system which operates under DHEC No. 4650037 was approved  
23 by DHEC to serve 19 taps. In 1982, a new well was built to replace the existing

1 well and is permitted to supply water to an additional 32 taps. According to Pine  
2 Haven the subdivision will contain 45 houses upon completion of both phases.

3 **Q. HOW DID YOU DISCOVER THAT PINE HAVEN WAS OPERATING AS**  
4 **A NON-REGULATED WATER SYSTEM?**

5 A. On June 23, 2008, a customer of Pine Haven contacted the ORS with a  
6 complaint regarding a \$10.00 per month increase in the monthly water charge  
7 because the customer has a swimming pool. The customer stated the customers of  
8 Pine Haven do not receive a monthly bill but receive a disconnect notice if the  
9 monthly water charge is not paid, and Pine Haven customers are charged fees to  
10 reconnect the water service if a disconnection occurs. During ORS's  
11 investigation of this customer's complaint it was discovered that Pine Haven has  
12 been providing water service to customers as a "public utility" which is defined  
13 in S.C. Code Ann. 58-5-10(4) as every "corporation and person delivering natural  
14 gas distributed or transported by pipe, and every corporation and person  
15 furnishing or supplying in any manner heat (other than by means of electricity),  
16 water, sewerage collection, sewerage disposal, and street railway service, or any  
17 of them, to the public, or any portion thereof, for compensation..."

18 **Q. DID ORS CONTACT PINE HAVEN TO ADVISE THEIR WATER**  
19 **SYSTEM MAY BE SUBJECT TO REGULATION BY THE STATUTES**  
20 **AND REGULATIONS OF THE COMMISSION?**

21 A. Yes. Exhibit HKM-1 is the certified letter ORS sent on June 30, 2008, to  
22 Carroll Norman, owner/operator of Pine Haven advising him ORS had been  
23 informed he was providing water service to customers of the Pine Haven

1 Subdivision and may be subject to regulation by the statutes and regulations of the  
2 Commission. This letter also advised Mr. Norman of the documentation which he  
3 was required to file to become a regulated water utility with the Commission,  
4 including posting a Performance Bond.

5 **Q. DID PINE HAVEN RESPOND TO ORS'S LETTER ADVISING THE**  
6 **UTILITY MAY BE SUBJECT TO PSC REGULATIONS?**

7 Yes. Exhibit HKM-2 is Mr. Norman's response stating he did charge  
8 customers a flat fee of \$35 a month for water service. Mr. Norman also included  
9 in his response a notice he sent to his customers dated June 19, 2008, advising  
10 monthly rates were increasing from \$25 a month to \$35 a month, plus an  
11 additional \$10.00 per month if customers have a swimming pool and an additional  
12 \$10.00 per month charge if customers have an irrigation system or water with a  
13 yard sprinkler regularly. The notice reminded customers there is a 10% penalty  
14 added to all overdue balances over 10 days old (Exhibit HKM-3). Pine Haven did  
15 not seek the Commission's approval for the rates and fees charged to the  
16 customers.

17 **Q. DID PINE HAVEN RESPOND TO ORS'S REQUEST TO FILE PROPER**  
18 **DOCUMENTATION WITH THE COMMISSION?**

19 A. No. Exhibit HKM-4 shows Pine Haven was advised by a second letter on  
20 November 25, 2008, that it was subject to regulation by the Commission and the  
21 documentation which it was required to file with the Commission, including a  
22 performance bond. The letter also advised Pine Haven it must either submit an  
23 application including a request for approved rates and charges to continue

1 operating, request a waiver from the Commission by establishing a Home Owners  
2 Association (“HOA”), or cease charging customer for water service.

3 **Q. DID PINE HAVEN RESPOND TO ORS’S SECOND REQUEST TO FILE**  
4 **PROPER DOCUMENTATION WITH THE COMMISSION?**

5 A. Yes. Exhibit HKM-5 shows Mr. Norman wrote the ORS on December 12,  
6 2008, and stated he was not aware Pine Haven was required to be regulated and  
7 its fees approved by the Commission. Mr. Norman also requested an additional  
8 90 days to apply and submit an application to the Commission to continue  
9 operating. As of today, Mr. Norman has not filed an application with the  
10 Commission to operate as a public utility.

11 **Q. WHAT IS THE RECOMMENDATION OF ORS FOR PINE HAVEN?**

12 A. The ORS recommends the Commission require Pine Haven to either:  
13 1) Submit an application to the Commission for establishment as a water utility  
14 with approved rates, charges and post a performance bond in compliance with  
15 Commission regulations or; 2) Under Regulation 103-702.7, request a waiver  
16 from the Commission to establish a HOA and transfer the system to the HOA. If  
17 Pine Haven fails to come into compliance with Commission rules and regulations,  
18 Pine Haven must cease charging customers for water service to the Pine Haven  
19 and Garrett’s Landing Subdivisions.

20 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

21 A. Yes it does.

C. DUKE SCOTT  
EXECUTIVE DIRECTOR

1441 Main Street, Suite 300  
Columbia, SC 29201



Phone: (803) 737-0800  
Fax: (803) 737-0801

DAN F. ARNETT  
CHIEF OF STAFF

DAWN M. HIPPIE  
DIRECTOR

TELECOMMUNICATIONS, TRANSPORTATION, WATER/WASTEWATER

June 30, 2008

Carroll Norman  
767 Pine Haven Circle  
Clover, SC 29710

Re: Pine Haven Water System

Mr. Carroll,

The South Carolina Office of Regulatory Staff (ORS) is a State Agency responsible for the supervision and regulation of the rates and service of investor owned (public) utilities within South Carolina. The term "public utility" is defined by law as a person or entity furnishing or supplying in any manner water and/or sewer service to the public, or any portion thereof, for compensation.

ORS has been informed that you are providing water service within this state to customers of the Pine Haven Subdivision in Clover SC. Your system may be subject to regulation by the statutes and regulations of the South Carolina Public Service Commission. In order for ORS to accurately determine whether or not your system is lawfully subject to these regulations it is necessary for you to answer the following questions and return this letter to the address noted on this letter on or before **July 14, 2008**.

1. Do you charge customers for the connection to the water service you provide in South Carolina? YES \_\_\_\_\_ NO \_\_\_\_\_
2. If yes, what is the amount of the charge?  
Amount? \_\_\_\_\_
3. Do you charge a routine (annual, monthly, etc.) fee for the water service you provide in South Carolina?  
YES \_\_\_\_\_ NO \_\_\_\_\_
4. If yes, what is the amount of the charge?  
Base amount? \_\_\_\_\_ Surcharge? \_\_\_\_\_ per \_\_\_\_\_

Signature

DATE

Letter to Mr. Carroll Norman  
June 30, 2008  
Page 2

If you answered "No" to item #1 and #3 above, please provide documentation of how water service is provided to the customers of the Pine Haven community. This information should include a copy of any contract/regime fee agreement/lease/rental agreement, monthly property rental bill with information about the water service provided, and/or other information showing how tenants and/or homeowners are provided with water service and the handling of the incurred cost.

Enclosed you will find the necessary documentation required to be on file with the Public Service Commission, including a Performance Bond. Pursuant to 26 S.C. Code Regs. 103-712.3.1 (enclosed), "the amount of [performance] bond shall be based on, but not limited to, the total amount of the following categories of expenses for twelve months: Operation and Maintenance Expenses, General and Administrative Expenses, Taxes Other Than Income Taxes, Income Taxes, and Debt Service including Interest Expenses." The bond amount is also set forth in S.C. Code Ann. Section 58-5-720 (Supp. 2007). The Commission's regulations state that the bond amounts must range from an amount not less than \$100,000 and not more than \$350,000. The required bond for Pine Haven Subdivision is determined to be the minimum amount, \$100,000.

If you have any questions regarding this matter please contact me at (803) 737-0898 or Mr. Willie Morgan at (803) 737-0827. Your prompt attention to this matter would be greatly appreciated.

Sincerely,

M. Elizabeth Ford  
Program Specialist for Water and Wastewater  
[eford@regstaff.sc.gov](mailto:eford@regstaff.sc.gov)

Enclosures

Attachment A: South Carolina Public Service Commission Rules and Regulations

Attachment B: Utility Check List

Attachment C: Sample Rate Application

Attachment D: Rate Case Schedule

Attachment E: Authorized Utility Representative Information

Attachment F: PSC Financial Statement (Option for a Performance Bond)

Attachment G: Financial Statement Agreement



C. DUKES SCOTT  
EXECUTIVE DIRECTOR

1441 Main Street, Suite 300  
Columbia, SC 29201



Phone: (803) 737-0800  
Fax: (803) 737-0801

DAN F. ARNETT  
CHIEF OF STAFF

June 30, 2008

Carroll Norman  
767 Pine Haven Circle  
Clover, SC 29710

Re: Pine Haven Water System

Mr. Carroll,

The South Carolina Office of Regulatory Staff (ORS) is a State Agency responsible for the supervision and regulation of the rates and service of investor owned (public) utilities within South Carolina. The term "public utility" is defined by law as a person or entity furnishing or supplying in any manner water and/or sewer service to the public, or any portion thereof, for compensation.

ORS has been informed that you are providing water service within this state to customers of the Pine Haven Subdivision in Clover SC. Your system may be subject to regulation by the statutes and regulations of the South Carolina Public Service Commission. In order for ORS to accurately determine whether or not your system is lawfully subject to these regulations it is necessary for you to answer the following questions and return this letter to the address noted on this letter on or before **July 14, 2008**.

1. Do you charge customers for the connection to the water service you provide in South Carolina? YES \_\_\_\_\_ NO ☒ \_\_\_\_\_

2. If yes, what is the amount of the charge?  
Amount? \_\_\_\_\_

3. Do you charge a routine (annual, monthly, etc.) fee for the water service you provide in South Carolina?  
YES ☒ \_\_\_\_\_ NO \_\_\_\_\_

4. If yes, what is the amount of the charge?

Base amount? \$35.00 flat fee Surcharge? \_\_\_\_\_ per \_\_\_\_\_  
monthly

W. Carroll Norman  
Signature

7-11-08  
DATE

Included: Welcome letters to Pine Haven + Durrette Landing  
Water increase letter

PINE HAVEN & GARRETT's LANDING WATER SYSTEM

address P.O. Box 1177, Clove, SC 29710

JUNE 19, 2008

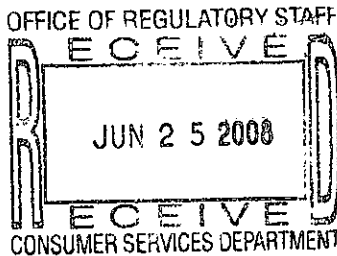
To Customers of Pine Haven and Garrett's Landing,

Due to the rising cost to maintain the water system it is necessary to increase our monthly premium from \$25.00 to \$35.00 per month. There will be an extra charge of \$10.00 per mo. if you have a pool and \$10.00 per mo. if you have an irrigation system or if you water with a yard sprinkler regularly. This cost takes effect starting July 1<sup>st</sup> 2008.

Please remember that 10% penalty will be added to all over due balances per mo. Monthly bills are due on the 1<sup>st</sup> of each month no later than the 10<sup>th</sup>. After the 10<sup>th</sup> 10% will be added to your overdue balance. If you have a bank draft please have it to be drafted on the 1<sup>st</sup>. No later than the 10<sup>th</sup>. If your bank draft is drafted after the 10<sup>th</sup> starting July you will be charged a late charge of 10% of the balance due.

DHEC is still requesting that we conserve water. Please do not water your lawn while the sun is shining. The sun just soaks up the water and does the lawn little good. You may water between the hours of 1-5 AM and 8-11 PM. Then water sparingly. There will be a fine of \$25.00 if caught watering any other time for the 1<sup>st</sup> offence. \$50.00 for the second offence and \$100.00 for the third. After the 3<sup>rd</sup> your water will be turned off with a \$300.00 fine and \$50.00 reconnection fee. Please let's all work together to conserve water. This precious commodity we all need very much.

Thank You all for your support in this matter.



Sincerely, Carroll Norman

*Carroll Norman*

*Brack  
Public Service  
Commissioner*

C DUKES SCOTT  
EXECUTIVE DIRECTOR

1401 Main Street, Suite 900  
Columbia, SC 29201



Phone: (803) 737-0800  
Fax: (803) 737-0801

DAN F. ARNETT  
CHIEF OF STAFF

DAWN M. HIPPIE  
DIRECTOR

TELECOMMUNICATIONS, TRANSPORTATION, WATER/WASTEWATER

November 25, 2008

Mr. Carroll Norman  
Norman Construction Co., Inc  
P.O. Box 1177  
Clover, SC 29710

Re: *Establishment of a Public Water Utility in SC*

Dear Mr. Norman,

The South Carolina Office of Regulatory Staff (ORS) is a State Agency responsible for the supervision and regulation of the rates and service of investor owned (public) utilities within South Carolina. The term "public utility" is defined by law as a person or entity furnishing or supplying in any manner water and/or sewer service to the public, or any portion thereof, for compensation.

Your system may be subject to regulation by the statutes and regulations of the Public Service Commission if it receives or intends to receive compensation from its customers for the provision of water service or distribution. The SC Public Service Commission must approve all rates and charges for water service and related activities including but not limited to tap fees, customer account fees, etc... prior to any public utility charging or accepting payment from its customers.

According to our investigation you are providing water service to Pine Haven Subdivision as a Public Service Commission (PSC) regulated public utility. Therefore, you may not charge for water and you may not discontinue water service to any of the residents. As discussed you may 1) request a waiver from the PSC in the form of a Home Owners Association owned and operated system or 2) Submit an application to the PSC, including a request for approved rates and charges, to continue operating. One of these actions must take place by December 12, 2008 in order to avoid further action.

I am available to discuss the application process and provide assistance as needed. If you have any questions regarding this information or application of the regulations, please contact me at (803) 737-0898. I look forward to working with you as we move forward.

Sincerely,

A handwritten signature in black ink that reads "M Elizabeth Ford". The signature is written in a cursive, flowing style.

M. Elizabeth Ford  
Water-Wastewater Specialist  
Office of Regulatory Staff

Enclosures:      Article 7: Water Utilities Regulations  
                         ORS Checklist for establishment of a water utility  
                         Sample Copy  
                         HOA regulations and requirements

Cc:    File

Mr. Carroll Norman  
Norman Construction Co. Inc.  
767 Pine Haven Circle  
Clover, S.C. 29710

Dec. 12, 2008

M. Elizabeth Ford  
Water-Wastewater Specialists  
Office of Regulatory Staff

RE: Establishment of a Public Water Utility in SC

Dear M. Elizabeth Ford,

In reference to the letter I received dated Nov. 25, 2008 about Pine Haven water system in Clover, S.C. I Carroll Norman have owned and operated said system since 1976. This system was approved by DHEC for 15 taps. We only had 6 houses on the system for about 20 years. In 1982 we had to dig a new well replacing the existing well. Then the whole system was re-engineered to supply 32 taps. At this time we are supplying 25 taps to Pine Haven Subdivision and to the second Phase of Pine Haven, which is called Garrett's Landing. Still apart of the same property. When both are completed there will be 45 houses. WE are putting in a second well which will be a backup well at the request of DHEC.

I was not aware that I had to be regulated and approved by PSC. At the present time the fees that are charged are only the cost of operating the water system.

I am asking you to please grant me a grace period of 90 days to apply and submit an application to PSC, also a request for approval of rates and charges to continue operating.

Sincerely,



Carroll Norman  
Norman Construction Co. Inc.